Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 OTTAWA 03371 062108Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-02 /140 W
----------036362 071445Z /50
R 062100Z JUL 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7960
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS OTTAWA 03371

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJECT: INCREASE IN DOMESTIC CRUDE OIL PRICE

REF: OTTAWA A-112, MAY 10, 1978

1. THIRD OF FOUR SCHEDULED DOMESTIC CRUDE OIL PRICE INCREASES WENT INTO EFFECT IN CANADA JULY 1, INCREASING PRICE OF BARREL OF CRUDE OIL AT WELLHEAD BY DOLS 1.00 TO TOTAL OF DOLS 12.75. IMPORTED CRUDE OIL OF SAME QUALITY LANDED AT MONTREAL NOW COSTS ABOUT DOLS 16.00. AS RESULT OF THIS INCREASE IN WELLHEAD PRICE, CONSUMER WILL PAY AN ADDITIONAL 3.4 CENTS PER GALLON OF REGULAR GASOLINE AFTER AUGUST 30.

2. ACCORDING TO ENERGY, MINES AND RESOURCES MINISTER GILLESPIE, THIS INCREASE IS FURTHER STEP TOWARD REACHING
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PAGE 02 OTTAWA 03371 062108Z

INTERNATIONAL PRICE LEVELS FOR OIL NECESSARY TO STIMULATE HIGHER-COST EXPLORATION AND PRODUCTION, DAMPEN DEMAND AND THUS REDUCE DEPENDENCE ON FOREIGN OIL.

3. LEVY OF TEN CENTS PER BARREL CHARGED TO ALL USERS OF DOMESTIC OR IMPORTED CRUDE OIL AND MOST IMPORTED PETROLEUM PRODUCTS ALSO WENT INTO EFFECT JULY 1. THIS MEASURE IS

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FOLLOW-UP ON LEGISLATION ALLOWING SYNCRUDE CANADA LIMITED TO CHARGE WORLD PRICES FOR SYNTHETIC CRUDE OIL PRODUCED BY NEW PLANT EXPECTED TO BEGIN OPERATIONS IN THIRD QUARTER OF 1978 (SEE REFAIR).

4. GOC WILL ALSO SUBSIDIZE DIFFERENTIAL IN COST OF PIPELINING DOMESTIC CRUDE TO TORONTO AND MONTREAL. AS RESULT OF RECENT NATIONAL ENERGY BOARD DECISION ON ALLOWABLE COST OF SERVICE AND DESIGN OF TOLLS AND SERVICE ON INTERPROVINCIAL PIPELINE, TARIFF OF APPROXIMATELY 18 CENTS PER BARREL IS LIKELY. THIS SUBSIDY, WHICH CONTINUES EQUALIZATION OF CRUDE COSTS AT TORONTO AND MONTREAL, WILL COST ABOUT DOLS 16 MILLION ANNUALLY.

5. COPIES OF NEWS RELEASE FOLLOW BY POUCH TO EUR/CAN, EB/ORF/FSE, DOE/IA, DOE/FERC, AND CONGENS. ENDERS

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EO Systematic Review
20 Mar 2014
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